

**GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA**

UNSTARRED QUESTION NO:1936
ANSWERED ON:03.08.2001
DISINVESTMENT OF PSUS
ASHOK KUMAR PATEL;RAMPAL SINGH

Will the Minister of DISINVESTMENT be pleased to state:

- (a) whether the Government propose to issue guidelines shortly regarding private participation in the disinvestment of the public sector undertakings;
- (b) if so, the details thereof; and
- (c) the time by which the guidelines are likely to be issued?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCE (SHRI ARUN SHOURIE)

(a), (b) & (c) The disinvestment policy of the Government implying private participation in disinvestment of PSUs, has been announced from time to time in the Parliament during the Budget speeches. The salient features of this policy are :

- Restructuring and reviving potentially viable PSUs;
- Closing down PSUs which cannot be revived;
- Bringing down Government equity in all non-strategic PSUs to 26% or lower, if necessary; and
- Fully protect the interest of workers.

A manual titled 'Disinvestment: Policy & Procedures' has also been published providing all necessary details. This manual has distributed to, among others, all the Members of Parliament. The Government has also issued on 13-7-2001 the following guidelines for qualification of bidders seeking to acquire stakes in public sector enterprises through the process of disinvestment:-

(i) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering facts of the case and relevant legal principles, by the Government .

(ii) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken, based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.

(iii) In both (i) and (ii), disqualification shall continue for a period that Government deems appropriate.

(iv) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.

(v) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.

(vi) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.

(vii) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EOI) from the interested parties. The interested parties would be required to provide the information on the above criteria, as approved, along with their Expressions of Interest (EOI). The bidders shall be required to provide with their EOI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of Government. For other criteria also, a similar undertaking shall be obtained along with EOI.